

Individual Manager Description, Performance and Ownership

1. Arrowstreet Capital

Investment Approach:

Arrowstreet uses a quantitative approach to evaluate a large universe of international equity securities for multiple sources of excess return. The multiple sources include both behavioral and informational factors such as valuation, momentum, market capitalization or size, and estimate revision growth. The return factors can be broadly defined as either top down or bottom up. Top down measures include those that relate to either country or sector, while bottom up measures include those that specifically refer to specific companies or a basket of stocks.

The formal decision making process takes place monthly. The portfolio managers begin by carefully reviewing the forecast model for any signs of degradation, or of the model failing to reflect their intuition about the basic drivers of market returns. They next evaluate the systematic data downloaded for each security to ensure data quality. The data are then used to create a new outlook for each security. An optimal portfolio is developed using a proprietary optimization process that evaluates the trade off between forecast return for each security, several measures of risks, and transaction costs, as well as any defined client constraints.

Performance Evaluation:

| Time Period | Manager Annualized Return | Benchmark Annualized Return | Excess Return |
|--------------------|---------------------------|-----------------------------|---------------|
| Year to Date 2006* | 19.63% | 15.20% | 4.43% |
| Calendar Year 2005 | 16.72% | 16.41% | 0.31% |
| 5/31/00 – 4/30/06 | 9.35% | 6.18% | 3.17% |

**through April 30, 2006; performance is net of management fee.*

Performance Objective:

Custom FTSE All World Index ex U.S., plus 2%, net of fees, annualized over a full market cycle (normally three to five years).

Equity Ownership:

CalPERS' MDP (Progress Lovell Minnick Ventures LLC) owns 18.5% of the firm. Management of the firm retains 63% ownership of the firm. Lovell Minnick Partners, LLC owns the remaining 18.5%.

2. Denali Advisors

Investment Approach:

Denali's quantitative value oriented strategy uses a return factor model to estimate the individual expected returns of the largest 3,000 stocks in the U.S. The regression model is comprised of 47 factors which describe investor behavior and the forecast model uses slightly fewer factors to forecast stock payoffs. The expected returns are imported into an optimizer to maximize the expected alpha while minimizing risk relative to the benchmark. The firm controls active relative exposures primarily with a BARRA optimization model. Portfolios are generally re-balanced monthly.

Several enhancements were incorporated into their stock selection and optimization model in the third quarter 2003. The changes were made to minimize exposure to rapid and frequent changes in market leadership. From September 30, 2003 through April 30, 2006, Denali has outperformed their benchmark by 2.88%. In the trailing 12 months through April 30, 2006 Denali has outperformed their benchmark by 3.57%.

Performance Evaluation:

| Time Period | Manager Annualized Return | Benchmark Annualized Return | Excess Return |
|--------------------|---------------------------|-----------------------------|---------------|
| Year to Date 2006* | 9.62% | 8.75% | 0.87% |
| Calendar Year 2005 | 11.35% | 7.91% | 3.44% |
| 5/1/01 – 4/30/06 | 6.96% | 7.23% | -0.27% |

**through April 30, 2006; performance is net of management fee.*

Performance Objective:

Custom Wilshire Large Cap Value Index, plus 2%, net of fees, annualized over a full market cycle (normally three to five years).

Equity Ownership:

CalPERS' MDP (Progress Lovell Minnick Ventures LLC) owns 34% of the firm. Management of the firm retains owns the remaining 66%. This is a minority-owned firm.

3. Golden Capital Management

Investment Approach:

Core Large Cap – Golden uses a multi-factor quantitative model that ranks stocks of the largest 1,000 publicly traded U.S. companies and constituents of the S&P 500 Index based on valuation, growth, and momentum measures. The most favorably ranked stocks are fundamentally sound, undervalued companies with a positive trend in estimate revisions and price momentum. Maximum and minimum weightings are assigned to each stock in the universe based on the security's model rank and weighting in the index.

Large Cap Value – Golden's stock selection methodology is built around quantitative models that rank stocks based on valuation and earnings surprise. Stocks that rank in the top quartile of both the value model and earnings surprise model are included in the selection universe for further individual research. Sustainability of growth is more important than the rate of growth and positive momentum in both estimate changes and price trends is a strict criterion. The sell discipline is also quantitative and based on declining earnings expectations or significantly overvalued stock price.

Core Small Cap – Golden uses a multi-factor quantitative model that ranks stocks based on valuation, growth, and momentum measures. Stocks are selected from a universe that includes the next 2,000 market cap stocks below the top 1,000 publicly traded U.S. companies and constituents of the S&P Small Cap 600 Index. The most favorably ranked stocks are fundamentally sound, undervalued companies with a positive trend in estimate revisions and price momentum. Maximum and minimum weightings are assigned to each stock in the universe based on the security's model rank and weighting in the index.

Performance Evaluation:

| Core Large Cap | Manager Annualized Return | Benchmark Annualized Return | Excess Return |
|--------------------|---------------------------|-----------------------------|---------------|
| Year to Date 2006* | 6.21% | 5.61% | 0.60% |
| Calendar Year 2005 | 6.56% | 4.91% | 1.65% |
| 12/31/00 – 4/30/06 | 3.43% | 1.54% | 1.89% |

**through April 30, 2006; performance is net of management fee.*

| Large Cap Value | Manager Annualized Return | Benchmark Annualized Return | Excess Return |
|--------------------|---------------------------|-----------------------------|---------------|
| Year to Date 2006* | 6.74% | 5.61% | 2.07% |
| Calendar Year 2005 | 6.04% | 4.91% | 1.13% |
| 12/31/00 – 4/30/06 | 6.19% | 1.54% | 4.65% |

**through April 30, 2006; performance is net of management fee.*

| Core Small Cap | Manager Annualized Return | Benchmark Annualized Return | Excess Return |
|--------------------|---------------------------|-----------------------------|---------------|
| Year to Date 2006* | 13.95% | 12.83% | 1.12% |
| Calendar Year 2005 | 7.74% | 7.68% | 0.06% |
| 12/31/00 – 4/30/06 | 13.10% | 12.58% | 0.52% |

**through April 30, 2006; performance is net of management fee.*

Performance Objective:

Core Large Cap – S&P 500 plus 1%, net of fees, annualized over a full market cycle (normally three to five years).

Large Cap Value – S&P 500 plus 2%, net of fees, annualized over a full market cycle (normally three to five years).

Core Small Cap – S&P 600 plus 1%, net of fees, annualized over a full market cycle (normally three to five years).

Equity Ownership:

CalPERS' MDP (Strategic Investment Group Ventures LLC) sold its 50% ownership of the firm to Wachovia Corporation on October 31, 2005.

4. LM Capital Management

Investment Approach:

LM Capital utilizes long-term macro-economic, fundamental investment analysis incorporating "Global Scenario Planning" to construct a concentrated fixed income portfolio. "Global Scenario Planning" is subdivided into five sequential steps: Matrix Construction, Trend Identification, Portfolio Construction, Security Selection and Situation Analysis. Factors included in "Global Scenario Planning" include inflation, employment, trade balance, budget deficit/surplus, and GDP growth. LM screens securities based on creditworthiness, duration, call features, quality and yield to maturity. LM uses technical analysis to gauge current market sentiment and relative strength to identify tactical entry and exit points. The manager primarily invests in investment grade securities while opportunistically investing in non-investment grade, and international fixed-income securities

Performance Evaluation:

| Time Period | Manager Annualized Return | Benchmark Annualized Return | Excess Return |
|--------------------|---------------------------|-----------------------------|---------------|
| Year to Date 2006* | -0.44% | -0.87% | 0.43% |
| Calendar Year 2005 | 1.37% | 2.57% | -1.20% |
| 4/1/02– 4/30/06 | 5.82% | 4.94% | 0.88% |

**through April 30, 2006; performance is net of management fee.*

Performance Objective:

Citigroup Broad Investment Grade Index, plus 1%, net of fees, annualized over a full market cycle (normally three to five years).

Equity Ownership:

CalPERS' MDP (Strategic Investment Group Ventures LLC) owns 35% of the firm. Management of the firm owns the remaining 65%. This is a minority-owned firm.

5. Northroad Capital Management

Investment Approach:

Northroad uses a value-oriented, bottom-up approach to investing in developed international markets based on the selection of companies that are priced attractively relative to their sustainable return-on-equity (ROE). The process begins with evaluating a universe of about 400 companies on the basis of the source and quality of their returns. Stock valuation fundamentals are examined, such as price-to-earnings, price-to-book value, and price-to-cash flow, as well as the company's financial leverage and ability to generate free cash flow. The level and variability of ROE is examined, with the goal of calculating the tradeoff of valuation to sustainable ROE.

Fundamental analysis is undertaken to determine each company's competitiveness within the industry, assess the quality of management, and ensure the company has a sensible business model. The portfolio is constructed with 25 to 40 stocks. Stocks are sold if the valuation of relative to sustainable ROE becomes unfavorable, fundamentals deteriorate, or more attractive investment opportunities become available.

Northroad's strategy focuses on high quality and large capitalization companies which were not in favor through most of 2004. Their concentrated style is not benchmark sensitive and tends to lead to large over or underweights relative to the benchmark, thus resulting in more volatile return patterns. The strategy outperformed its benchmark by 0.26% year to date 2006.

Performance Evaluation:

| Time Period | Manager Annualized Return | Benchmark Annualized Return | Excess Return |
|--------------------|---------------------------|-----------------------------|---------------|
| Year to Date 2006* | 15.06% | 14.80% | 0.26% |
| Calendar Year 2005 | 10.14% | 14.65% | -4.51% |
| 1/2/04 – 4/30/06 | 16.80% | 22.04% | -5.24% |

**through April 30, 2006; performance is net of management fee.*

Performance Objective:

Custom FTSE Developed Index ex U.S., plus 2%, net of fees, annualized over a full market cycle (normally three to five years).

Equity Ownership:

CalPERS' MDP (Strategic Investment Group Ventures LLC) owns 15% of the firm. Management of the firm owns the remaining 85%.

6. Pyrford International PLC

Investment Approach:

Pyrford employs a value driven fundamental analysis at both the country and stock level, but emphasizes country selection. Portfolios are constructed taking into account both liquidity and absolute volatility, and country weights are independent of benchmark weights. Pyrford will hedge the currency of a country in which it is invested based on an assessment of the currency's vulnerability relative to the base currency. The evaluation analyzes the currency's purchasing power parity as well as fundamental country analysis designed to determine exceptional "event" risk.

Country allocations are based on earnings growth forecasts for each market within Pyrford's universe. Pyrford uses variables such as labor force, productivity growth, savings ratio, real interest rates, net exports as a percentage of GDP, corporate profits, and unemployment rate to obtain an aggregate corporate profit growth estimate. The earnings growth estimate is achieved by analyzing a country's earnings per share growth relative to aggregate profit growth, as well as listed corporate sector leverage. Based on earnings growth, Pyrford determines which markets offer the best value relative to one another.

To select stocks within each market, the Manager employs a three-stage process. First, stocks are screened for market cap, free float, and liquidity, as well as financial strength, valuation, and profitability. Stage two involves an analysis of the relevant industry's competitive framework by examining the degree of rivalry and pricing discipline among competitors in the industry. Stage three involves a quantitative analysis of a stock's long-term value based on its

dividend yield and five-year projected earnings growth, with projected earnings growth receiving greater emphasis.

Pyrford's recent and long-term underperformance is due to the firm's long term value approach which resulted in limited opportunities in Japan. In 2003 and 2005, the Japanese portion of the benchmark returned in excess of 25% in both calendar years. This underweight contributed to over 75% of Pyrford's overall underperformance.

Performance Evaluation:

| Time Period | Manager Annualized Return | Benchmark Annualized Return | Excess Return |
|--------------------|---------------------------|-----------------------------|---------------|
| Year to Date 2006* | 11.79% | 14.80% | -3.01% |
| Calendar Year 2005 | 8.84% | 14.65% | -5.81% |
| 10/31/01 – 4/30/06 | 13.67% | 16.49% | -2.82% |

**through April 30, 2006; performance is net of management fee.*

Performance Objective:

Custom FTSE Developed Index ex U.S., plus 2%, net of fees, annualized over a full market cycle (normally three to five years).

Equity Ownership:

CalPERS' MDP (Strategic Investment Group Ventures LLC) owns 19.9% of the firm. Employee trusts own 32.0% of the firm with the remaining 48.1% owned by a passive investor. The passive investor, Euro Equity Holdings SA, financed the original buy-out of Pyrford from its former parent, Elders Group, in 1991.

7. Rigel Capital Management

Investment Approach:

The investment process begins with a quantitative screen of all companies within the market cap boundaries of the strategy. The screening process focuses on traditional measures of growth, such as earnings per share, ROE, industry strength, relative strength, and price/volume measures to reduce the universe to the top 10-20% of companies. The resulting list of companies is then ranked based on the growth characteristics and price/volume factors of the individual stocks. Fundamental analysis is then undertaken to select those stocks believed to hold the greatest potential in the current market environment. The focus here is on the manager's assessment of industry trends, as well as an analysis of a company's competitive position within an industry. The final stage of the stock selection process focuses on risk controls that look closely at the tradeoff of growth potential versus predictability, and incorporates cyclical and seasonal

considerations. The portfolios typically hold 50-65 stocks and changes are made to capitalize on new information and changes in the market environment.

Rigel's Large Cap portfolio has outperformed the benchmark by 4.17% since inception and by 6.76% for 2005. However, the SMID portfolio struggled last year, underperforming by -5.49%. Rigel's defensive strategy performs best in weak markets and lags when riskier small caps do best, which was the case for 2005. As shown in the table below, performance has improved and the SMID portfolio outperformed their benchmark by 3.77% year to date 2006.

Performance Evaluation:

| Large Cap Growth | Manager Annualized Return | Benchmark Annualized Return | Excess Return |
|--------------------|---------------------------|-----------------------------|---------------|
| Year to Date 2006* | 3.04% | 2.95% | 0.09% |
| Calendar Year 2005 | 12.02% | 5.26% | 6.76% |
| 11/1/03 – 4/30/06 | 11.89% | 7.72% | 4.17% |

**through April 30, 2006; performance is net of management fee.*

| SMID Growth | Manager Annualized Return | Benchmark Annualized Return | Excess Return |
|--------------------|---------------------------|-----------------------------|---------------|
| Year to Date 2006* | 15.94% | 12.17% | 3.77% |
| Calendar Year 2005 | 2.68% | 8.17% | -5.49% |
| 11/1/03 – 4/30/06 | 14.81% | 15.67% | -0.86% |

**through April 30, 2006; performance is net of management fee.*

Performance Objective:

Large Cap Growth – Russell 1000 Growth Index, plus 2%, net of fees, annualized over a full market cycle (normally three to five years).

SMID Cap Growth – Russell 2500 Growth Index, plus 2.5%, net of fees, annualized over a full market cycle (normally three to five years).

Equity Ownership:

CalPERS' MDP (Strategic Investment Group Ventures LLC) owns 40.0 % of the firm. Management of the firm owns the remaining 60.0%.

8. Shenandoah Asset Management

Investment Approach:

Shenandoah uses a quantitative multi-factor risk controlled approach to investing in U.S. small and mid cap stocks. The investment process uses information based on earnings expectations, insider trading, dividend discount model

valuation, and cash flow analysis to determine if a stock is mispriced. The earnings model has the highest order of impact on return and is based on earnings revisions one to two years out and earnings surprise. The insider model evaluates seven factors to determine if insider activity is significant with regard to the direction of future price. Stocks are then ranked based upon their expected alpha and the highest ranking positive alpha stocks are incorporated into the portfolio using an optimizer to manage size, beta, and sector risk, as well as risk exposures defined by Northfield. Tracking error is approximately 4%. The portfolio is re-balanced monthly.

On December 30, 2005 CalPERS moved \$25 million from the Mid Cap portfolio into a new Small Mid Cap portfolio. The SMID Cap portfolio uses the same investment approach as the Mid Cap but invest in smaller cap stocks.

Shenandoah's Mid Cap portfolio has underperformed its benchmark from inception through 2002 by 1.31%. In 2003, they made several refinements to their process including lowering and managing portfolio turnover to control transaction costs, refining the impact of insider selling in the insider trading model, and solidifying the predictability and consistency of cash flows and its impact on stock specific performance. Since January 1, 2003, Shenandoah's Mid Cap portfolio has outperformed their benchmark by 1.06% on an annualized basis.

Performance Evaluation:

| Mid Cap | Manager Annualized Return | Benchmark Annualized Return | Excess Return |
|--------------------|---------------------------|-----------------------------|---------------|
| Year to Date 2006* | 9.72% | 9.14% | 0.58% |
| Calendar Year 2005 | 9.09% | 12.56% | -3.47% |
| 4/2/01 – 4/30/06 | 11.53% | 12.84% | -1.31% |

**through April 30, 2006; performance is net of management fee*

| SMID Cap | Manager Annualized Return | Benchmark Annualized Return | Excess Return |
|------------------|---------------------------|-----------------------------|---------------|
| 1/1/06 – 4/30/06 | 10.73% | 11.69% | -0.96% |

**through April 30, 2006; performance is net of management fee*

Performance Objective:

S&P Mid Cap Index, plus 2%, net of fees, annualized over a full market cycle (normally three to five years).

CalPERS Custom Russell 2500 Index, plus 2%, net of fees, annualized over a full market cycle (normally three to five years).

Equity Ownership:

CalPERS' MDP (Progress Lovell Minnick Ventures LLC) owns 40% of the firm. Management of the firm owns 57% of the firm and MPT Inc. owns 3%.

9. Smith Asset Management

Investment Approach:

Large Cap Core – Smith's investment process focuses on identifying high quality companies expected to generate excess investment returns through positive earnings surprises.

The initial screening process selects companies with high credit quality and strong coverage by sell-side analysts (at least five analysts for large cap stocks) with a market capitalization over \$2 billion. After this initial screen, companies are subjected to valuation and risk analysis. Factors considered at this stage include price/earnings to growth rate (PEG ratio), price-to-free cash flow, and historic risk (beta).

The resulting universe is narrowed down further through the use of Smith's proprietary Earnings Surprise Predictor (ESP). This process seeks to identify those companies that will produce excess returns through the generation of above-expectation earnings rates, i.e., stocks that will report positive earnings surprises. Smith further utilizes traditional fundamental security analysis to select portfolio candidates from the remaining universe of companies. Special attention is paid to corporate governance practices.

SMID Cap Core – Smith's investment process focuses on identifying high quality companies expected to generate excess investment returns through positive earnings surprises.

The initial screening process selects companies with high credit quality and strong coverage by sell-side analysts (at least three analysts for small cap stocks) with a market capitalization between \$100 million and \$1.5 billion. After this initial screen, companies are subjected to valuation and risk analysis. Factors considered at this stage include price/earnings to growth rate (PEG ratio), price-to-free cash flow, and historic risk (beta).

The resulting universe is narrowed down further through the use of Smith's proprietary Earnings Surprise Predictor (ESP). This process seeks to identify those companies that will produce excess returns through the generation of above-expectation earnings rates, i.e., stocks that will report positive earnings surprises. Smith further utilizes traditional fundamental security analysis to select portfolio candidates from the remaining universe of companies. Special attention is paid to corporate governance practices.

Performance Evaluation:

| Large Cap Core | Manager Annualized Return | Benchmark Annualized Return | Excess Return |
|--------------------|---------------------------|-----------------------------|---------------|
| Year to Date 2006* | 7.18% | 5.61% | 1.57% |
| Calendar Year 2005 | 14.05% | 4.91% | 9.14% |
| 12/1/03 – 4/30/06 | 14.57% | 11.22% | 3.35% |

**through April 30, 2006; performance is net of management fee*

| SMID Cap Core | Manager Annualized Return | Benchmark Annualized Return | Excess Return |
|--------------------|---------------------------|-----------------------------|---------------|
| Year to Date 2006* | 11.04% | 11.53% | -0.49% |
| Calendar Year 2005 | 9.30% | 4.30% | 5.00% |
| 12/1/03 – 4/30/06 | 17.33% | 15.09% | 2.24% |

**through April 30, 2006; performance is net of management fee*

Performance Objective:

Large Cap Core – S&P 500 plus 2%, net of fees, annualized over a full market cycle (normally three to five years).

SMID Cap Core– Russell 2500 plus 2.5%, net of fees, annualized over a full market cycle (normally three to five years).

Equity Ownership:

CalPERS' MDP (Strategic Investment Group Ventures LLC) owns 20% of the firm and Smith Asset Management Group, LP owns the remaining 80%.

10. Smith Graham

Investment approach:

Smith Graham's goal is to maximize total return through investments in companies with stable earnings growth rates that are equal to or greater than other companies within the same economic sector. To achieve this goal Smith Graham employs an equity management style that selects stocks from both the growth and value universes that are also attractively priced. This results in portfolio characteristics consistent with the style's large cap benchmark. Their stock selection process combines key elements from fundamental and valuation screening and analysis models and market condition indicators to identify long-term investment opportunities.

The central focus of Smith Graham's fundamental research is to determine the drivers of a stock's performance and to determine whether the drivers are

sustainable and represent a long-term investment opportunity. The key characteristics of their approach to fundamental research are: i) a heightened focus on early-stage analysis that is efficient in sorting companies into under performing and out performing categories that serves as a foundation for equity investing; ii) more detailed coverage and monitoring of companies that are important constituents of large-cap equity investment universes; and iii) opportunities to utilize their investment team's ability to model and analyze risk, based on the best ideas from academia and the market.

Smith Graham has underperformed their benchmark by 3.03% since inception. On August 31, 2004 staff changed Smith Graham's benchmark from the S&P 500 to the Russell 1000 Growth to better reflect their growth oriented investment style. Since August 31, 2004, Smith Graham has outperformed their benchmark by 1.47% through April 30, 2006.

Performance Evaluation:

| Time Period | Manager Annualized Return | Benchmark Annualized Return | Excess Return |
|--------------------|---------------------------|-----------------------------|---------------|
| Year to Date 2006* | 3.75% | 2.95% | 0.80% |
| Calendar Year 2005 | 6.99% | 5.26% | 1.73% |
| 10/1/02 – 4/30/06 | 12.43% | 15.46% | -3.03% |

**through April 30, 2006; performance is net of management fee .*

Performance Objective:

Russell 1000 Growth Index, plus 1.5%, net of fees, annualized over a full market cycle (normally three to five years).

Equity Ownership:

CalPERS' MDP (Progress Lovell Minnick Ventures LLC) owns 24.9% of the firm. Management of the firm owns the remaining 75.1%. This is a minority-owned firm.

11. Stux Investments

Investment Approach:

Stux Investments uses a two step quantitative approach to evaluate a large universe of domestic equity securities for sources of excess return. To meet this objective, the strategy first employs an analytically disciplined multi-factor model of macroeconomic and fundamental information to generate attractiveness signals for industry sectors. The sectors are first defined based on a number of statistical and fundamental criteria. The sectors are then either over or underweighted, relative to the benchmark, based on the model's signals. The second step of the process is a stock selection overlay model which establishes

links between 26 stock specific factors to calculate a “predicted alpha”. Stocks within each sector are then ranked according to their predicted alpha and then either over or underweighted. The portfolio consists of a large number of stocks, ranging from 500 to 1000. The sector rotation model is rebalanced on a monthly basis and the stock selection model is rebalanced quarterly. Research is conducted on an on-going basis to maintain and improve the efficiency of the models.

Stux has underperformed their benchmark by -0.63% since inception. Stux uses a sector rotation model and most of the strategy’s underperformance is accountable to unusual market conditions in late 2004, during a time of low dispersion of sector incremental returns. An enhancement in the model to now include a “neutral” or “no bet” was implemented in fourth quarter 2004. The enhancement allows them the option to equal weight a sector against the benchmark, whereas the old model restricted them to either over or underweight the benchmark. In addition, the stock selection overlay model was added to their process in the third quarter of 2005. Stux outperformed its benchmark by 1.04% in 2005 and has performed inline with the benchmark for the first part of 2006.

Performance Evaluation:

| Time Period | Manager Annualized Return | Benchmark Annualized Return | Excess Return |
|--------------------|---------------------------|-----------------------------|---------------|
| Year to Date 2006* | 5.73% | 5.75% | -0.02% |
| Calendar Year 2005 | 7.31% | 6.27% | 1.04% |
| 2/2/04 – 4/30/06 | 8.95% | 9.58% | -0.63% |

**through April 30, 2006; performance is net of management fee.*

Performance Objective:

Russell 1000 Index, plus 1.5%, net of fees, annualized over a full market cycle (normally three to five years).

Equity Ownership:

CalPERS’ MDP (Strategic Investment Group Ventures LLC) owns 35% of the firm. Management of the firm owns the remaining 65%.

12. Timeless

Investment Approach:

Timeless uses a disciplined research process that emphasizes a long-term business owner approach. The first step in the investment process involves a series of screens that identifies companies that have achieved a return on investment in excess of their cost of capital. The resulting universe of securities is further reduced through a discounted cash flow analysis that seeks to identify companies trading at a discount to their intrinsic value. The remaining securities undergo in-depth analysis that includes an assessment of the issuer's competitive position and the industry structure as well as financial statement analysis. The in-depth analysis yields the securities that are ultimately selected for inclusion in the portfolio which averages between 30 and 40 stocks

Timeless focuses on quality companies that outperform in the long run. Their underperformance is mostly attributed to companies with poor fundamentals leading the small cap market since October 2002. Staff is working with Timeless to address the poor performance and is closely monitoring portfolio.

Performance from Inception:

| Time Period | Manager Annualized Return | Benchmark Annualized Return | Excess Return |
|--------------------|---------------------------|-----------------------------|---------------|
| Year to Date 2006* | 10.16% | 13.92% | -3.76% |
| Calendar Year 2005 | 0.62% | 4.55% | -3.93% |
| 9/1/02 – 4/30/06 | 16.18% | 21.54% | -5.36% |

Performance is net of management fee.

Performance Objective:

Russell 2000 Index, plus 2.5%, net of fees, annualized over a full market cycle (normally three to five years).

Equity Ownership:

CalPERS' MDP (Strategic Investment Group Ventures LLC) owns 50.0% of the firm. Management of the firm owns the remaining 50.0%